

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07
NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00
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TO SECSTATE WASHDC 1943
INFO AMEMBASSY ANKARA
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AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY THE HAGUE
AMEMBASSY LISBON
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY REYKJAVIK
USMISSION NATO

C O N F I D E N T I A L ROME 20900

E.O. 11652: GDS
TAGS: NATO, MPOL, MARR, IT
SUBJECT: ITALIAN RESPONSE TO U.S. INITIATIVES

1. SUMMARY. EMBASSY PLANS MAKE ADDITIONAL DEMARCHE ON AUG-
MENTATION NATO INFRASTRUCTURE AS SOON AFTER BEGINNING OF YEAR
AS PRACTICAL. IN MEANTIME, WE WOULD APPRECIATE GUIDANCE ON
WHETHER ITALIAN AGREEMENT IN PRINCIPLE WILL PERMIT INFRASTRUCTURE
PROGRAM TO MOVE AHEAD. END SUMMARY.

2. EMBASSY PREPARED MAKE FURTHER DEMARCHE TO GOI TO ENLIST ITS
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SUPPORT FOR INCREASED INFRASTRUCTURE PROGRAM IN ACCORDANCE WITH
STATE 308808. IN DOING SO, HOWEVER, EMBASSY WISHES REITERATE THAT
WE MUST UNDERSTAND THAT ITALIANS WILL JUDGE PROGRAM IN LIGHT OF
OVERALL FUNDING PRIORITIES AND BUDGET LIMITATIONS. AS DEPARTMENT
AWARE, ITALY IS CURRENTLY ENACTING AUSTERITY PROGRAM TO REDUCE
INFLATION AND RESTORE BALANCE OF PAYMENTS EQUILIBRIUM. IN

ADDITION, INTERNATIONAL MONETARY AUTHORITIES IMPOSING FISCAL CONDITIONS ON GOI AS PREREQUISITE FOR OBTAINING FURTHER LOANS AND WE ACTIVELY ENCOURAGING ITALY IMPROVE ITS FISCAL RESPONSIBILITY. AT SAME TIME, WE PRESSING ITALIANS COMMIT THEMSELVES IN 1977 BUDGET TO ADDITIONAL EXPENDITURES OVERTIME OF 175 MILLION FOR NATO INFRASTRUCTURE ND AWACS AND ENCOURAGING THEM CONTRIBUTE SEVERAL MILLIONS FOR AFRICAN ASSISTANCE. WE ARE ALSO PRESSING FOR PASSAGE OF TWO FINAL PROMOTIONAL BILLS WHICH WOULD ADD APPROXIMATELY \$330 MILLION TO 77 DEFENSE BUDGET. WHILE WE APPRECIATE DEPARTMENT'S VIEWS ON MERITS OF KEEPING INFRASTRUCTURE AUGMENTATION, AWACS, AND PROMOTIONAL BILLS SEPARATE, ITALIANS CAN HARDLY DO SO SINCE THEY WOULD ALL HAVE IMPACT ON BUDGET AT TIME WHEN GOI TAKING POLITICALLY PAINFUL MEASURES TO REDUCE EXPENDITURES AND BALANCE OF PAYMENTS OUTFLOWS.

3. WE FIRMLY BELIEVE ITALY MUST CONTINUE FULFILL HER RESPONSIBILITIES AS FIRST-LINE NATO COUNTRY AND IMPRESS UPON OUR CONTACTS THAT ALTERNATIVE IS SECOND-RATE STATUS IN ALLIANCE. HOWEVER, WHILE ITALY REMAINS IN CURRENT ECONOMIC CRISIS WE CANNOT EXPECT IT TO GO ALONG WITH INTERNATIONAL PRESSURE TO HOLD EXPENDITURES DOWN, ON THE ONE HAND, AND, ON OTHER, TO RESPOND FAVORABLY TO A SERIES OF DEMARCHES FOR INCREASED DEFENSE AND FOREIGN ASSISTANCE EXPENDITURES. THIS WE MUST UNDERSTAND THAT IN PUSHING ONE PROGRAM WE REDUCE THE LIKELIHOOD OF ITALIAN RESPONSIVENESS ON OTHERS.

4. SINCE AMBASSADOR HAS ALREADY RAISED INFRASTRUCTURE AUGMENTATION AT HIGHEST LEVELS (ROME 17727) BELIEVE IT WOULD BE USEFUL BE IN POSITION TO GO BEYOND OUR PREVIOUS REPRESENTATION IN MAKING FOLLOW-UP DEMARCHE. WE PRESUME FROM STATE 308808 OBSTACLE
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TO GOING AHEAD WITH INFRASTRUCTURE PROGRAM POSED BY CURRENT ITALIAN POSITION WOULD BE RESOLVED IF ITALY ASSUMED STANCE SIMILAR TO THAT OF DENMARK AND BENELUX. IF SO, WE BELIEVE WE COULD OBTAIN THEIR AGREEMENT TO AGREE IN PRINCIPLE WITH A VIEW TO REACHING COMPROMISE IN INFRASTRUCTURE COMMITTEE WHICH WILL PERMIT ITALIAN CONTRIBUTIONS TO COME AT END OF FIVE YEAR PERIOD WHEN HOPEFULLY THEIR FINANCIAL SITUATION WILL BE IMPROVED.

5. REQUEST GUIDANCE. BEAUDY

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NNN

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